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Iberian Peninsula

Tomatoes and Products

Annual

2005

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Report Highlights:
We are forecasting that Iberian Peninsula processed tomato products exports will reach record levels during marketing year (MY) 2005/06 (July/June), due to the industry's need to reduce stocks. However, in subsequent years, we expect exports to tend lower as the processing industry adjusts to reform of the Common Agricultural Policy (CAP) and changes in market access resulting from trade agreements. (LR34PM5SH6).

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

- Processed tomato products exports will reach record levels during MY 2005/06, as the industry is lowering prices drastically to bring down stocks of finished product.
- By 2010, the European Union (EU) will implement its free-trade agreement with Maghreb countries, which will boost competition in the tomato products market. In the international market, China's future role as either exporter or importer, and demand trends for consuming industries, including fast food, will also be determining for the Iberian Peninsula producers and exporters.
- By 2007, the EU will revise completely its current processing fruit and vegetables common policy, and will likely introduce subsidy decoupling. This will encourage the less competitive producers to leave, and the sector overall to re-structure. At farm level, changing EU policies will tend to discourage production over the medium-term.
- In the medium term, tomato processing on the Iberian Peninsula could be down some twenty to thirty percent relative to current levels. The current market surplus of processed tomato products will force the industry to re-structure, close down less competitive factories, and lower outputs.

Commodity Name: Fresh Tomatoes

Production, Supply & Distribution Tables

PSD Table

Country **Spain**

Commodity **Fresh Tomatoes** (HA)(MT)

	2003 USDA Official [Old]	Revised Post Estimate [New]	2004 USDA Official [Old]	Estimate Post Estimate [New]	2005 USDA Official [Old]	Forecast Post Estimate [New]
Market Year Begin		01-2003		01-2003		01-2003
Plnt For Fresh Consump	32,200	39,700	32,300	32,700	0	30,000
Plnt For Processing	32,300	32,300	35,800	37,200	0	37,100
TOTAL Area Planted	64,500	72,000	68,100	69,900	0	67,100
Harv. For Fresh Cons.	32,200	39,700	32,300	32,700	0	30,000
Harv. For Processing	32,300	32,300	35,800	37,200	0	37,100
TOTAL Area Harvested	64,500	72,000	68,100	69,900	0	67,100
Fresh Sale Production	2,200,300	2,299,000	2,210,000	2,274,800	0	1,900,000
Processing Production	1,711,000	1,713,346	2,220,000	1,902,393	0	1,850,000
TOTAL Production	3,911,300	4,012,346	4,430,000	4,177,193	0	3,750,000
TOTAL SUPPLY	3,911,300	4,012,346	4,430,000	4,177,193	0	3,750,000

PSD Table

Country **Portugal**

Commodity **Fresh Tomatoes** (HA)(MT)

	2003 USDA Official [Old]	Revised Post Estimate [New]	2004 USDA Official [Old]	Estimate Post Estimate [New]	2005 USDA Official [Old]	Forecast Post Estimate [New]
Market Year Begin		01-2003		01-2004		01-2005
Plnt For Fresh Consump	1,500	1,550	0	1,550	0	1,500
Plnt For Processing	12,474	12,474	0	15,134	0	14,878
TOTAL Area Planted	13,974	14,024	0	16,684	0	16,378
Harv. For Fresh Cons.	1,500	1,550	0	1,550	0	1,500
Harv. For Processing	12,474	12,474	0	15,134	0	14,878
TOTAL Area Harvested	13,974	14,024	0	16,684	0	16,378
Fresh Sale Production	160,000	98,646	0	98,650	0	95,000
Processing Production	894,094	894,093	0	1,171,066	0	1,050,000
TOTAL Production	1,054,094	992,739	0	1,269,716	0	1,145,000
TOTAL SUPPLY	1,054,094	992,739	0	1,269,716	0	1,145,000

Production

Production in Spain:

- Spanish total MY 2005/06 tomato production will be down relative to previous year levels.

- The Spanish official statistics show a 9.4 percent reduction in early tomato area (for consumption in fresh), which is harvested from January to May. Average yield was down 1 percent.

- Official Spanish statistics show a marginal reduction in calendar year (CY) 2005 tomato areas.

- Areas and Outputs for CY 2003 and CY 2004 fresh tomato production are from the MAPYA statistical bulletin (the *Avances*). Processing tomato production in MY 2003/04 and MY 2004/05 was obtained from MAPYA. Production forecast for MY 2005/06 was made based on official area estimate and producer information.

- Total industry contracted output for MY 2005/06 is higher than product delivered to the industry in MY 2004/05. However, actual production should be lower due to the effects of the drought.

- Farmer enthusiasm with tomato production is surprisingly high for a drought year and is reportedly being boosted by policy changes underway in the EU. Reportedly there are concerns among growers that the current crop year could be the last to influence the level of future EU-set de-coupled subsidies.

Spain: Processing Tomato Production

	2004		2005
	Contracted	**Delivered**	**Contracted**
Production	2,356,739	1,902,393	2,256,560

Source: Spanish producers association. Units: Tons

- There are some signs the sector is becoming more integrated along the lines of the Iberian Peninsula rather than by nation. In MY 2004/05, a producer organization (PO) from Extremadura integrated, along with five Portuguese POs the first trans-national producer association on the Iberian Peninsula (Produland).

- Spanish production grew considerably over the previous past two years, causing the producers to surpass the EU-assigned quota.

- The sector in Spain is absorbing the surplus problems generated by the entry into production of three large new POs in Extremadura in recent years. When a Spanish tomato factory contracts with a Portuguese PO, it benefits from lower prices, as Portuguese farmers continue to receive full EU subsidy.

- Tomato production remains very profitable in Extremadura and Andalusia, as improvements in mechanization, new varieties and technology used are raising yields and productivities.

The introduction of new CAP in MY 2006/07 in Spain will make more areas available to tomato production, namely from cotton. However, due to current surplus stocks of finished products, and world competition the total Spanish processing tomato area will tend to be down in the future.

<u>Production in Portugal</u>

- Production data for CY 2003 and CY 2004 reflects official statistics published from INE, and information collected from the national guarantee institute (INGA). The difference in the 2003 number results from new information from the national statistics office.

- Total MY 2004/05 processing tomato production was obtained from INGA. It is slightly higher than the level of total tomato production processed by the industry, as some of the local production is processed in Spain.

- We expect the MY 2005/06 tomato output to come under the 2005 industry contracted area (see below) due to the effects of the drought.

Portugal: Processing Tomato production. Units: Tons

	2004/5 (*)			2005/6 (**)		
	To be Processed in Portugal	To be Processed in Spain	Total	To be Processed in Portugal	To be Processed in Spain	Total
Tom. Paste	988,803	159,736	1,148,539	975,824	195,530	1,171,354
Other	22,527	0	22,527	19,550	0	19,550
	1,011,330	159,736	1,171,066	995,374	195,530	1,190,904

Source: INGA. (*) Actual tomato used in processing. (**) Tomato contracted for 2005/06.

Portugal: The Processing Tomato Sector in Numbers

Year	Num. Producers	Area (ha)	Raw Material Produced (Ton)	Average Price (€/Ton)	National Production Quota (Ton)
2001/02	1,271	11,725	917,069	80.79	1,050,000
2002/03	998	11,851	834,334	79.39	1,050,000
2003/04	868	12,474	894,093	80.34	1,050,000
2004/05	817	14,026	1,171,066	79.99	1,050,000
2005/06	-	14,878 (1)	1,050,000 (2)	-	1,050,000

Source: INGA. (1) Contracted area; (2) Forecast.

- The bulk of the Portuguese tomato crop is produced in the “Ribatejo-e-Oeste” region under irrigation.

- The implementation of CAP Reform in Portugal during the current year encouraged large corn farmers to shift into tomato production in 2004/05. These farmers could be concerned with improving “historic rights” when the EU implements a new regime based on subsidy de-coupling.

- Further, “historic rights” for grains had already been set (as average of CY 2000, CY 2001 and CY 2002 subsidy payments).

- The sector is restructuring, with a small farmers replaced by larger, more efficient ones.

- Some productions costs in Portugal are lower than in other EU producing countries.

- Producer sources report that prices plus subsidies received by farmers amount to roughly 8 Eurocents/kg. The current surplus problem in international processed tomato markets is making the industry more demanding in terms of quality. Consequently, it is implementing a very rigorous penalty system for below-standard products.

Trade

Import Trade Matrix

Country	Spain		
Commodity	Fresh Tomatoes		
Time Period	Calendar Year	Units:	Metric Tons
Imports for:	2003		**2004**
U.S.	0	U.S.	0
Others		Others	
Portugal	49,746	Portugal	67,407
France	3,982	Germany	10,951
Netherlands	3,933	Netherlands	6,235
Belgium	2,748	Belgium	3,435
Other EU-25	1,703	France	2,982
Morocco	7,200	Other EU-25	542
Turkey	96	Morocco	8,483
		Romania	181
Total for Others	69,408		100,216
Others not Listed	43		23
Grand Total	69,451		100,239

Export Trade Matrix

Country Spain

Commodity Fresh Tomatoes

Time Period	Calendar Year	Units:	Metric Tons
Exports for:	2003		2004
U.S.	3,640	U.S.	2,786
Others		Others	
Germany	243,009	Germany	243,792
U.K.	193,412	U.K.	207,076
Netherlands	167,982	Netherlands	181,902
France	151,663	France	159,665
Czech Republic	29,165	Italy	31,025
Portugal	24,650	Czech Republic	27,150
Italy	23,670	Poland	26,339
Poland	23,455	Portugal	24,816
Other EU-25	74,481	Other EU-25	87,238
Russia	8,412	Russia	8,520
Total for Others	939,899		997,523
Others not Listed	21,569		22,641
Grand Total	965,108		1,022,950

Import Trade Matrix

Country Portugal

Commodity Fresh Tomatoes

Time Period	Calendar Year	Units:	Metric Tons
Imports for:	2003		2004
U.S.	0	U.S.	0
Others		Others	
Spain	32,596	Spain	24,244
Germany	3,066	Germany	3,316
Other EU	127	Other EU	163
Total for Others	35,789		27,723
Others not Listed	0		0
Grand Total	35,789		27,723

Export Trade Matrix

Country Portugal

Commodity Fresh Tomatoes

Time Period	Calendar Year	Units:	Metric Tons
Exports for:	2003		2004
U.S.	0	U.S.	0
Others		Others	
Spain	41,288	Spain	44,580
U.K.	1,119	U.K.	1,296
France	8	France	4
Cape Verde	28	Cape Verde	14
Angola	7	Angola	1
Total for Others	42,450		45,895
Others not Listed	0		0
Grand Total	42,450		45,895

Source: Global Trade Atlas.

Commodity Name: Canned Tomatoes

Production, Supply & Distribution Table

PSD Table

Country	**Spain**					
Commodity	**Tomatoes, Canned**				(MT)(MT, Net Weight)	
	2003 USDA Official [Old]	Revised Post Estimate [New]	2004 USDA Official [Old]	Estimate Post Estimate [New]	2005 USDA Official [Old]	Forecast Post Estimate [New]
Market Year Begin		07-2003		07-2004		07-2005
Deliv. To Processors	215,000	159,038	200,000	237,352	0	195,000
Beginning Stocks	596	596	4,596	563	0	39,170
Production	179,000	127,309	166,000	189,607	0	162,500
Imports	2,000	3,522	2,000	4,000	0	4,000
TOTAL SUPPLY	181,596	131,427	172,596	194,170	0	205,670
Exports	68,000	53,364	60,000	65,000	0	80,000
Domestic Consumption	109,000	77,500	109,000	90,000	0	110,000
Ending Stocks	4,596	563	3,596	39,170	0	15,670
TOTAL DISTRIBUTION	181,596	131,427	172,596	194,170	0	205,670

Production

- Product delivery to processors, and outputs for MY 2003/04 and MY 2004/05 were provided by the Spanish Ministry of Agriculture (MAPYA);

- The higher 2004/05 canned tomatoes production was primarily due to diced peeled tomatoes, which totaled 153,126 Tons in MY 2004/05 (net weight), up from 121,151 Tons in MY 2003/04. Diced whole tomatoes totaled 26,377 Tons in MY 2004/05, up from 1,935 Tons in MY 2003/04.

- Canned tomatoes production grew in MY 2004/05 in association with the higher crop output.

- In MY 2005/06, we expect canned tomatoes to come down, due to a reduction in agricultural outputs.

Consumption

- Spanish canned tomato consumption grew during 2004/05, favored by eating trends and the convenience of use of diced tomatoes. For more details, please check Tomato Paste section in report.

Policy

- Canned tomato production is subject to dispositions contained in the EU Common Market Organization (CMO) for processing fruit and vegetables. For a summary of most important mechanisms, please check Tomato Paste section in report.

Import Trade Matrix

Country	Spain		
Commodity	Tomatoes, Canned		
Time Period	July/June	Units:	Metric Tons
Imports for:	2002		**2003**
U.S.	0	U.S.	0
Others		Others	
Italy	887	Italy	1809
Germany	349	Portugal	711
Portugal	240	France	614
U.K.	106	Germany	351
Other EU-25	31	Other EU-25	17
Total for Others	1613		3502
Others not Listed	24		20
Grand Total	1637		3522

Export Trade Matrix

Country	Spain		
Commodity	Tomatoes, Canned		
Time Period	July/June	Units:	Metric Tons
Exports for:	2002		**2003**
U.S.	1907	U.S.	1153
Others		Others	
France	25799	France	21383
U.K.	7865	U.K.	8670
Italy	5466	Portugal	4284
Portugal	4810	Germany	3807
Germany	4668	Italy	3641
Other EU-25	4469	Other EU-25	4164
Canada	1665	Canada	1569
Venezuela	615	Venezuela	378
Total for Others	55357		47896
Others not Listed	2641		4315
Grand Total	59905		53364

Commodity Name: Tomato Paste, 28-30% TSS B

Production, Supply & Distribution Tables

PSD Table

Country Spain

Commodity Tomato Paste,28-30% TSS Basis (MT)(MT, Net Weight)

	2003 USDA Official [Old]	Revised Post Estimate [New]	2004 USDA Official [Old]	Estimate Post Estimate [New]	2005 USDA Official [Old]	Forecast Post Estimate [New]
Market Year Begin		07-2003		07-2004		07-2005
Deliv. To Processors	1,343,000	1,368,721	1,800,000	1,746,205	0	1,600,000
Beginning Stocks	587	587	3,399	16,127	0	56,122
Production	239,812	255,466	321,428	326,995	0	300,000
Imports	14,000	13,630	10,000	13,000	0	10,000
TOTAL SUPPLY	254,399	269,683	334,827	356,122	0	366,122
Exports	124,000	123,556	160,000	160,000	0	180,000
Domestic Consumption	127,000	130,000	128,000	140,000	0	145,000
Ending Stocks	3,399	16,127	46,827	56,122	0	41,122
TOTAL DISTRIBUTION	254,399	269,683	334,827	356,122	0	366,122

PSD Table

Country Portugal

Commodity Tomato Paste,28-30% TSS Basis (MT)(MT, Net Weight)

	2003 USDA Official [Old]	Revised Post Estimate [New]	2004 USDA Official [Old]	Estimate Post Estimate [New]	2005 USDA Official [Old]	Forecast Post Estimate [New]
Market Year Begin		07-2003		07-2004		07-2005
Deliv. To Processors	83,075	830,755	116,271	988,803	0	850,000
Beginning Stocks	3,000	3,000	1,000	1,174	0	22,809
Production	145,267	145,267	165,000	165,635	0	145,000
Imports	0	1,635	0	1,000	0	600
TOTAL SUPPLY	148,267	149,902	166,000	167,809	0	168,409
Exports	120,000	121,228	130,000	115,000	0	125,000
Domestic Consumption	27,267	27,500	35,000	30,000	0	32,500
Ending Stocks	1,000	1,174	1,000	22,809	0	10,909
TOTAL DISTRIBUTION	148,267	149,902	166,000	167,809	0	168,409

Production

Spain

- Spanish tomato paste production was up in MY 2004/05, due to the interest of producers/ cooperatives to increase activity levels.

- Tomato paste production will tend to undergo a mild reduction in MY 2005/06 due to a forecasted decrease in fresh tomato supply.

- MY 2005/06 will be a very hard year for the Iberian Peninsula tomato processors due to a market surplus and high stocks of finished products.

- Tomato paste production will come down in coming few years, as the sector will have to adjust activity levels to market needs. Industry sources consider that in general terms, the EU tomato industry will have to reduce outputs and exports by nearly 30 percent over the next few years.

- This process will also induce an industry re-structure, and force out the less competitive factories.

- Production data for tomato paste for 2004 was provided by FEGA.

Portugal

- Portuguese tomato paste production will tend to decline in MY 2005/06, due to a lower raw material supply.

- Over the coming few years, tomato output levels will be reduced, as the industry will have to reduce activity levels, while farmer pressure will tend to diminish for policy reasons (see Policy).

- In the process of industry re-structure, local tomato factories will be reduced from a total of nine in operation at present, to some six or seven.

- Below we provide table with fresh tomato industry use and end products, broken down by product type for MY 2003/04 and MY 2004/05. Data was supplied by the national guarantee institute (INGA):

Portugal: Processing Tomato Use by the Local Industry (Units: Tons)

	2003/04		2004/05	
Product Category	**Fresh**	**Processed**	**Fresh**	**Processed**
Paste	830,755	145,267	988,802	165,635
Juice	20,370	9,756	17,809	8,493
Canned Tomatoes 1/	6,549	4,444	4,719	3,125
TOTAL	**857,674**	**159,467**	**1,011,330**	**177,253**

Source: INGA. 1/ Diced.

Consumption

Spain

- Domestic tomato paste consumption will tend to expand gradually in the future, in association with the development of specific food segments that use processed tomatoes as ingredients. These include pasteurized *gaspazo* (a traditional cold soup), a recent innovation with great commercial success in Iberian markets, and pizza sauces.

- Consumption of whole peeled canned tomatoes will tend to continue to decline in the future, as the consumers replace this product with more convenient crushed and diced tomatoes.

- The convenience factor will continue to fuel demand for a series of tomato-based products. In addition to *gaspazo*, *tomate frito* – a sauce used with pasta and many other products – is one of the fastest growing product segments.

- Other factors supporting a continuing growth in processed tomato consumption include rising numbers of immigrants and tourists, an accrued interest in the Mediterranean diet and restaurant business trends.

Portugal

- Processed tomato consumption has been following trends largely similar to Spain's. Processed tomato demand has been favored by restaurant business trends, as well as changing eating habits.

Trade

Spain

- Spanish MY 2004/05 tomato paste exports will be higher than in MY 2003/04 due to the industry need to control stocks of finished products.

- According to the official statistics, during July 2004/January 2005, Spanish tomato paste exports went down by 8 percent relative to the same period the previous year. However, exports have been increasing over the past recent months, due to the implementation of drastic price reductions (20 to 30 percent) by the industry.

- Tomato paste exports should be higher yet in MY 2005/06 through continuing low prices, so as to enable the industry to lower stocks.

Portugal

- Portuguese tomato paste exports were down 11 percent during July 2004/January 2005 relative to the same period in the previous year, affected by the surplus in international markets.

- The local industry has reacted to dropping international market prices by lowering its prices as well. Nevertheless, total MY 2004/05 Portuguese exports should remain below previous year levels, forcing the industry to hold exceptionally high stocks.

- Tomato paste product exports will go up in MY 2005/06, as the Portuguese industry will continue to implement a competitive price policy, in order to draw down on its stocks of finished products.

Import Trade Matrix

Country	Spain		
Commodity	Tomato Paste,28-30% TSS Basis		
Time Period	July/June	Units:	Metric Tons
Imports for:	2002		**2003**
U.S.	576	U.S.	221
Others		Others	
Portugal	10190	Portugal	8847
France	712	Germany	318
Germany	275	France	311
Other EU-25	314	Other EU-25	718
China	2670	China	2233
Total for Others	14161		12427
Others not Listed	354		982
Grand Total	15091		13630

Export Trade Matrix

Country	Spain		
Commodity	Tomato Paste,28-30% TSS Basis		
Time Period	July/June	Units:	Metric Tons
Exports for:	2002		**2003**
U.S.	4159	U.S.	2688
Others		Others	
Germany	35140	Germany	29227
France	26034	France	26156
U.K.	17627	U.K.	23517
Netherlands	11045	Netherlands	11516
Italy	8677	Italy	5289
Other EU-25	13885	Other EU-25	15854
Japan	2407	Japon	3246
Total for Others	114815		114805
Others not Listed	7509		6063
Grand Total	126483		123556

Import Trade Matrix

Country	Portugal		
Commodity	Tomato Paste,28-30% TSS Basis		
Time Period	July/June	Units:	Metric Tons
Imports for:	2002		**2003**
U.S.	0	U.S.	0
Others		Others	
Spain	813	Italy	1001
Italy	419	Spain	304
Other EU-25	0	Other EU-25	25
Japan	36	China	251
Total for Others	1268		1581
Others not Listed	0		54
Grand Total	1268		1635

Export Trade Matrix

Country	Portugal		
Commodity	Tomato Paste,28-30% TSS Basis		
Time Period	July/June	Units:	Metric Tons
Exports for:	2002		**2003**
U.S.	146	U.S.	307
Others		Others	
Netherlands	18962	Netherlands	17132
U.K.	16815	U.K.	16743
Germany	10912	Germany	9050
Italy	6260	Ireland	6742
Ireland	4981	France	6475
France	4256	Spain	4147
Spain	4096	Denmark	2368
Denmark	2736	Other EU-25	35374
Other EU-25	27218	Japan	7895
Japan	8761		
Total for Others	104997		105926
Others not Listed	17450		14995
Grand Total	122593		121228

Source: Global Trade Atlas. Data in the Trade matrices was converted from gross weight into 28-30 percent solids, net weight, by application of appropriate conversion rates.

Stocks

- End of MY 2004/05 finished product stocks were up in both Spain and Portugal due to the surplus in international markets of tomato products.
- Industry stocks will be down over the coming two years, due to adequate export policies.

Policy

- Processing tomato production is regulated by EU Reg. 2201/96 of the Council, which lays out the Common Market Organization (CMO) of processing fruit and horticultural products.
- Processing tomato production was object of a “micro-reform” in 2000. As of MY 2001/02, processing production is subject to EU-set production thresholds, set by Member State.
- Under the EU legislation, the Government of Spain (GOS) sub-divided the national threshold into sub-quotas in 2003/04.
- Quotas in effect in Spain and Portugal are the following:

EU-Set Production Thresholds For Processing Tomato, Fresh Tomato Basis (Tons)

Country	Product	Production Thresholds
Spain	- Canned whole peeled tomatoes	111,612
	- Other Tomato Products	1,126,994
	- Total processed tomato products	1,238,606
Portugal	- Total processed tomato products	1,050,000
TOTAL EU		**8,251,455**

Note: Production threshold is not divided in Portugal.

- Prices are negotiated between the processing industry and the producers through Producer Organizations (POs).
- Producer subsidies are EU-set, being published each year in the EU Official Journal. Subsidies reflect market-related factors. When average production of any country over the previous three-year period surpasses the national quota, producer subsidies are penalized.
- Spain surpassed its quota largely over the past two years. Consequently, producer subsidies in Spain were lower than in Portugal in MY 2004/05, and will be again lower in MY 2005/06:
- In Portugal, if quantities contracted for 2005/06 are in fact produced, the farmers will undergo a subsidy penalty in MY 2006/07.

EU Subsidies for Processing Tomato Producers (€/Ton)

		2004/05 (a)	2005/06 (b)
Spain	Whole canned tomatoes	34.50	34.50
	Other tomato products	29.36	31.29
Portugal	All tomato products	34.50	34.50

(a) EU Commission Reg. 177/2004, dated Jan 30, 2004
(b) EU Commission Reg. 170/2005, dated Jan 31, 2005

- EU subsidy payments to Iberian Peninsula tomato producers are given below:

EU Subsidy Payments to Iberian Processing Tomato Producers (M €)

	Spain	Portugal
2002/03	49.37	28.8
2003/04	50.02	30.8
2004/05	-	40.4

Source: EU Commission

- The EU is revising its processing tomato policy again this year. However, contrary to earlier expectations, it has moved away from the idea of introducing some form of de-coupling. Only minor changes will be made.

- In 2007, the EU should revise its processing fruit and vegetables policy in harmony with the principles approved under the so-called "CAP Reform," introducing subsidy de-coupling.

- When the EU introduces subsidy de-coupling, less competitive producers will abandon the activity, and the sector will re-structure. Total production will tend to decline from current levels.

- The entry into force of the free-trade agreement between the EU and the Maghreb countries in 2010 will lead to higher imports of processed tomato products and additional constraints for the sector.